

# **POLITICAL BUDGET CYCLES IN INDONESIAN MUNICIPALITIES**

## **Undergraduate Thesis**

Submitted to Complete the Requirement to Achieve  
Bachelor of Economics Degree in Universitas Sebelas Maret



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Demikian pernyataan ini saya buat dengan sebenar-benarnya.

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Finally, the writer realizes that there are bound to be unrealized errors in writing this thesis. Therefore, the writer is open to any suggestion and critic to improve its content for the benefit of future research.

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## **ABSTRAK**

*Terdapat persepsi umum yang mengatakan bahwa calon kepala daerah petahana sering kali mencoba menggunakan kekuasaannya sebagai kepala daerah untuk memanipulasi kebijakan fiskal pemerintah daerah dalam rangka meningkatkan kemungkinannya untuk terpilih kembali. Studi ini bertujuan untuk mengetahui adanya manipulasi kebijakan ekonomi bermotif politik yang dilakukan oleh kepala daerah petahana pada anggaran pemerintah daerah.*

*Studi ini berfokus pada 451 kabupaten dan kota di Indonesia yang mengadakan pemilihan kepala daerah secara langsung selama periode 2010-2014. Studi ini meneliti adanya kebijakan fiskal kepala daerah bermotif politik dengan melakukan observasi pada defisit anggaran, total belanja, belanja modal, dan belanja daerah lainnya yang meliputi belanja hibah, belanja bantuan sosial, dan belanja bantuan keuangan pada tahun dilaksanakannya pemilihan kepala daerah.*

*Berdasarkan hasil yang didapat, terdapat indikasi adanya kebijakan fiskal oportunis bermotif politik oleh kepala daerah pada defisit anggaran, total belanja, belanja hibah, dan belanja bantuan keuangan. Selain itu, ditemukan juga indikasi adanya pengaruh koneksi politik antara kepala daerah dan Dewan Perwakilan Rakyat Daerah (DPRD) kabupaten/kota serta lamanya kepala daerah menjabat terhadap kebijakan fiskal daerah, khususnya pada defisit anggaran dan total belanja daerah. Namun demikian, kami tidak menemukan adanya pengaruh siklus politik tersebut pada pos belanja modal dan belanja bantuan sosial di anggaran pemerintah daerah.*

**Kata kunci:** *political budget cycles, kebijakan fiskal, kabupaten/kota, Indonesia, pemilihan kepala daerah*

## ABSTRACT

There is a common perception that incumbents often try to use economic policy to increase their re-election chances. This study aims to examine the presence of politically induced and electorally motivated economic policy in local government budget.

The study focuses on 451 districts and municipalities in Indonesia which held direct local elections over the period 2010-2014. We examine the presence of pre-electoral manipulation through the behaviour of budget balance, total expenditures, investment expenditures, and other administrative expenditures including donations, social assistance, and financial assistance expenditure during election year.

According to the result, we find evidence of opportunistically motivated fiscal policies in Indonesia municipalities in the budget balance, total expenditures, donation expenditures, and financial assistance expenditures. We also find evidence that suggest that regional political alignment and tenure (years as mayors) might have effect on the fiscal policy, especially budget balance and total expenditures. On different note, we do not find the same effect of political induced cycles in investment expenditures and social assistance.

**Keywords:** political budget cycles, fiscal policy, municipalities, Indonesia, local elections